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## Kucinich Questioning Probes Goldman Sachs/AIG Myth:

***Congressional investigation finds Government gave Goldman a better deal than it was legally entitled to receive; Goldman was not protected from AIG losses in event of a government bailout***

Washington D.C. (January 27, 2010) – In the testimony of Timothy Geithner and Henry Paulson about the decision to pay AIG counterparties full value on credit derivative contracts, Congressman Dennis Kucinich's (D-OH) questioning disclosed that Goldman Sachs had not expected full payment on those contracts from AIG for over a year, and that Goldman Sachs was in fact exposed to up to $2.5 billion AIG losses once the Government stepped in to rescue the ailing company, contrary to Goldman's public statements. The decision by the New York Fed to pay 100 cents on the dollar gave Goldman Sachs a better deal than it was legally entitled to receive.

"There was only one way for Goldman Sachs to get all of the billions they claimed from AIG, and that was if the New York Fed voluntarily agreed to give it to them. If the Fed had fought for taxpayers, Goldman would have had to take some losses and the cost to the people could have been minimized," said Kucinich.

"Goldman Sachs received a better deal from the New York Fed than it was entitled to receive. Contrast that treatment with the totally inadequate federal assistance that was given at the time to struggling homeowners, millions of whom lost their homes in preventable foreclosures," added Kucinich.

During 2007 and 2008, more than a year before the rescue of AIG, Goldman Sachs and AIG had been locked in a dispute over the value of underlying securities. Goldman Sachs believed that it would lose up to $2.5 billion if AIG defaulted. To protect itself, Goldman Sachs invested millions of dollars in supplemental insurance to cover the $2.5 billion disputed difference with AIG. Contrary to company assertions that it was fully hedged, however, Committee investigators discovered that Goldman's supplemental insurance policies would not pay in the event that the U.S. Government bailed out AIG. Goldman's protection would pay only in the event AIG defaulted. Goldman had not anticipated the Government bailout and so hadn't put that contingency into the terms of its contracts. That failure put Goldman at real risk of losing the entire amount of disputed money once the Government rescued AIG. Kucinich found, however, that the New York Fed failed to use that leverage to negotiate a better deal for taxpayers.

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